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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HAITI

PROJECT PAPER

EMERGENCY BALANCE OF PAYMENT SUPPORT

AMENDMENT NUMBER ONE

AID/LAC/P-905
CR-900

PROJECT NUMBER: 521-0253
GRANT NUMBER : 521-K-609

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT		1. PAAD Number 521-0253 521-K-609	
PROGRAM ASSISTANCE APPROVAL DOCUMENT AMENDMENT NO. ONE (PAAD)		2. Country HAITI Acty No. 521-02	
		3. Category CASH TRANSFER	
		4. Date December 15, 1994	
5. To AA/LAC, Mark Schneider		6. OYB Change Number	
7. From LAC/SPM, Christina Schoux <i>Christina Schoux</i>		8. OYB Increase: To be taken from:	
9. Approval Requested for Commitment of \$15,000,000		10. Appropriation Budget Plan Code LES5-95-35521-KG31	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period FY 95	14. Transaction Eligibility Date

15. Commodities Financed

16. Permitted Source U.S. only	17. Estimated Source U.S.
Limited F.W.	Industrialized Countries
Free World	Local
Cash \$15,000,000	Other

18. Summary Description

The Emergency Balance of Payment Support Program (521-0253) will support the restoration of democracy by providing an ESF Life of Program grant amount of \$45,000,000 for emergency balance of payments support. The funds will be disbursed in several tranches during the first six months after political resolution. The ESF dollars will be deposited in a separate account in the Federal Reserve Bank of New York and will be used to finance external transactions in the following eligible categories: (1) the import of petroleum and (2) payment of regularly scheduled debt service to the international financial institutions once arrears are cleared. Local currencies will be generated for those ESF dollars used for petroleum imports. Local currency will be deposited in a special account and jointly programmed for the following eligible uses: (1) general budget support, (2) to retire public sector domestic debt to the Central Bank, and (3) administrative costs relating to financial management and audit of the program.

The conditionalities for the second tranche disbursement of \$15,000,000 are contained in the attached Action Memorandum.

LAC/DPB:RMeehan *RMeehan* Date *12/16/94*
LAC/CAR:MBernbaum *MBernbaum* Date *12/16/94*
DAA/LAC:NParker *NParker* Date *12/16/94*
LPA/LAC:NLevine *NLevine* Date *12/16/94*

19. Clearances LAC/DPB:EZallman 12/15/94	Date	20. Action <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
GC/LAC:AAadams Draft	12/16/94	
LAC/DPB:MOtt Draft	12/15/94	Authorization Signature <i>[Signature]</i> Date <i>12/16/94</i> Title Assistant Administrator, LAC
PPC/DP:RGreene/JLombardo Draft	12/16/94	
ARA/ECP:JHarrington <i>JHarrington</i>	12/16/94	
ARA/HWG:GMaybarduk <i>GMaybarduk</i> (telcon)	12/14/94	
M/FM:JDocker <i>JDocker</i>	<i>12/16/94</i>	



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SEP 23 1994

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM:

Christina H. Schoux, LAC/SPM

SUBJECT: Haiti - Approval and Authorization of the Emergency
Balance of Payments Support Program (521-0253)

Action Requested

That you approve the Haiti Emergency Balance of Payments Support Program at a level of \$45 million, and that you authorize the commitment of \$15 million for the first tranche of the program. Under this program, \$14.3 million will be provided from FY 1993-1994 ESF funds; \$700,000 from FY 1994-1995 ESF; and \$30 million from future-year ESF, subject to the availability of funds.

I. Program Description:

The purpose of the proposed cash transfer is to help stabilize the Haitian economy and to finance the basic functions of government during the first months after political resolution. Current unprecedented inflation and currency depreciation directly reflect the heavy recourse to deficit financing exercised by the de facto regime. Inflation can only be reduced by restoring control to the budget, reactivating tax collections, and introducing sufficient external balance of payments resources to the Haitian economy to cover the near-term budgetary shortfall.

The proposed eligible uses for the \$45 million in ESF dollars are: (1) imports of petroleum, and (2) currently scheduled payments of principal and interest to the international financial institutions. The petroleum market was severely disrupted by the sanctions. It is imperative that normal channels for petroleum distribution and sale be reestablished as quickly as possible. The specific mechanism for the importation of petroleum and the issue of petroleum pricing (namely, that petroleum prices will reflect all import costs and duties) will be discussed and agreed with the GOH authorities prior to release of funds. The Haiti Support Group, chaired by the U.S. Treasury Department, anticipates that Haiti's arrears to the World Bank, International Monetary Fund, and Inter-American Development Bank will be cleared approximately 4-5 weeks after political resolution.

Thereafter, Haiti will need to remain current on its payments to these institutions to maintain access to their resources.

In the case of the use of dollars for petroleum imports, the sale of petroleum to the public will result in local currency generation. Local currency deposits will be jointly programmed for three eligible categories of use: (1) general budget support, (2) administrative costs relating to financial management and audit of the program, and (3) retirement of central Government debt with the Central Bank. These three uses assure that the funds have their maximum impact in covering the basic costs of government in Haiti, and helping achieve stabilization of the economy.

To further enhance the impact of the cash transfer assistance on stabilization of the Haitian economy, the assistance will be divided into three equal tranches.

The first tranche of \$15 million will be disbursed into Haiti's separate account at the Federal Reserve Bank of New York when the following conditions are met:

1. Constitutional government is restored. The definition of the event(s) necessary for this condition to be met will be discussed and agreed upon with the constitutional GOH, and specific language incorporated into the agreement.
2. The Aristide Government makes a public statement of its intention to pursue sound economic policies, support private sector investment, labor-intensive export-led growth, and to reduce poverty and improve living conditions.

Disbursement of ESF dollars out of the separate non-commingled account for petroleum purchases will be conditioned upon:

1. GOH assurance that the price at which petroleum products will be sold in Haiti will reflect the full import cost, associated taxes and duties, and administrative and distribution costs.
2. Evidence that arrangements satisfactory to USAID have been made by the GOH to meet audit and financial management requirements established in the agreement.

Interest earned on funds in the special account will be handled in accordance with recent guidance contained in State 205189.

Conditions for the second and third tranches will be developed in consultation with the IFIs and the restored Aristide economic cabinet, and will relate to evidence of adequate progress in taking measures to restore stability to the economy and to put public finances in order. Conditions could include measures

related to privatization, decentralization of public services, environmental protection, civil service reform, trade and tax reform or other steps. However, USAID will seek a special covenant in the program agreement reflecting the GOH's commitment to reactivate tax collections as quickly as possible, and to analyze, develop and implement reforms to the tax system to increase revenues and to improve its efficiency and fairness.

USAID will discuss the broad outlines of the proposed program, including the initial grant agreement, with representatives of President Aristide's Government present in Washington. USAID intends to have the funds for the first tranche of assistance (\$15 million) obligated within the next few days, with the first disbursement following the return of President Aristide to Haiti.

Two specific points to be included in the initial negotiating session are: 1) the requirement for USAID/Haiti to conduct independent financial surveys and audits, particularly for the use of local currency; and 2) the possible need to assist the GOH to establish adequate financial systems.

II. Discussion

A DAEC review of the PAAD, chaired by the DAA/LAC Norma Parker, was held September 20, 1994. The DAEC recommended approval of the Haiti Emergency Balance of Payments Support Program at a funding level of \$45 million. It was agreed that the initial grant to the Government of Haiti would be for \$15 million. The second and third tranches of the program totaling \$30 million will be provided under an amended agreement(s) which will be negotiated in Haiti with the restored constitutional Government over the next few months, subject to the availability of funds.

The review committee noted that there is currently little economic or fiscal data available on Haiti, and that more definitive data will not be available until after an IMF team carries out an economic assessment after President Aristide returns to Haiti. The economic analysis and GOH support requirements presented in the PAAD are based on the best available data that we have at this time. It was noted that detailed conditionality for disbursement of the second and third tranches of ESF should be developed after the economic assessment is completed. This conditionality will be incorporated into PAAD facesheets required for the authorization of the subsequent tranches totaling \$30 million.

The DAEC discussed the possibility of using ESF dollars for imports other than petroleum, and at the same time encouraging the GOH to get out of importing petroleum and setting pump prices. It was agreed that imports other than petroleum would present significant tracking and accountability problems, and

that we should not consider using ESF dollars under this program for other classes of imports.

The review committee also considered whether first-tranche conditionality should include provisions regarding tax and tariff reform needed to generate government revenues. It was decided that the issue of tax and tariff reform should be included as a covenant in the initial grant agreement with the GOH.

The DAEC discussed the merits of using local currency generations to finance an emergency public works program. It was decided that general budget support, administrative costs relating to financial management and audit of the program, and repayment of central government debt to the Central Bank are more important and effective uses of the local currency.

Arrangements for complying with accountability and audit requirements were discussed at the DAEC. It was noted by the IG representative that USAID/Haiti could track ESF dollars without difficulty, but that for local currency, USAID should use an IG IQC contractor to carry out concurrent audits. Audits would be supervised by a U.S.-licensed CPA with audit work performed by local Haitian auditors under the supervision of the U.S. audit firm. These concurrent audits would continue until the Mission determined that adequate GOH accounting and audit systems are in place. The audit firm should prepare regular reports for USAID and the GOH on receipts, disbursements, and uses of the local currency.

III. Congressional Notification

The FAA Section 451 determination by the President was signed September 15, 1994 covering \$28.7495 million, including \$15 million for this program. The required State Department notification was sent to Congress on September 16, 1994.

IV. Other

An Environmental Threshold Decision recommending categorical exclusion of further environmental study for this program was issued September 16, 1994 by USAID/Haiti. The LAC Bureau concurs with this recommendation.

The non-project statutory checklist is complete.

V. Authority

Delegation of Authority 400, in conjunction with Interim Delegation of Authority No. 9, provides Regional Assistant Administrators the authority to authorize project and non-project assistance if the activity does not present significant policy

issues and does not require the issuance of waivers that must be approved by the Administrator.

VI. Recommendation

That by signing this Action Memorandum, you approve the Haiti Emergency Balance of Payments Support Program at a level of \$45 million.

And that by signing the two PAAD facesheets (for \$14.3 million, and \$700,000 respectively) you authorize the commitment of \$15 million for the first tranche of the program.

Approved: 7/26/94

Disapproved: _____

Date: 7/26/94

7/26/94
Mark L. Schneider
Assistant Administrator, LAC

Clearance:

LAC/SPM:ERupprecht	Draft <i>ER</i>	Date	09-21-94
LAC/DPB:EZallman	Draft	Date	09-21-94
LAC/DPB:RMeehan	<i>draft</i>	Date	9-21-94
LAC/DPB:MOtt	Draft	Date	09-21-94
LAC/CAR:MBernbaum	Draft	Date	09-21-94
GC/LAC:RMeighan	Draft	Date	09-21-94
LPA/LAC:NLevine	Draft	Date	09-21-94
M/B:BGreene	Draft	Date	09-21-94
PPC/DP:RGreene	Draft	Date	09-22-94
DAA/LAC:NParker	Draft <i>NP</i>	Date	09-21-94
M/FM:JDockter	<i>JD</i>	Date	9/23/94
ARA/ECP:JHarrington	Draft	Date	09-21-94
ARA/HWG:GMaybardu'	Draft	Date	09-21-94

Info: IG:JDurnil

ALL
Drafted:LAC/SPM:ASchoepfer:as:75266:9-21-94:P:\LACPUB\DOCS\PAADAM

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number 521-0253 521-K-607	
		2. Country HAITI	
		3. Category CASH TRANSFER	
		4. Date	
5. To AA/LAC: Mark L. Schneider		6. OYB Change Number LAC-94-079	
7. From LAC/SPM: Christina H. Schoups <i>Christina H. Schoups</i>		8. OYB Increase To be taken from:	
9. Approval Requested for Commitment of \$ 14,300,000		10. Appropriation Budget Plan Code 72-113/41037 LES394-35521-KG31	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period FY 94	14. Transaction Eligibility Date
15. Commodities Financed			

16. Permitted Source U.S. only Limited F.W. Free World Cash \$14,300,000	17. Estimated Source U.S. Industrialized Countries Local Other
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18. Summary Description

The Emergency Balance of Payment Support Program (521-0253) will support restoration of democracy by providing an ESF grant of \$45,000,000 as emergency balance of payments support. The funds will be disbursed in several tranches during the first six months after political resolution. The ESF dollars will be deposited in a separate account in the Federal Reserve Bank of New York and will be used to finance external transactions in the following eligible categories: (1) the import of petroleum and (2) payment of regularly scheduled debt service to the international financial institutions once arrear. are cleared. Local currencies will be generated for those ESF dollars used for petroleum imports. Local currency will be deposited in a special account and jointly programmed for the following eligible uses: (1) general budget support (2) to retire public sector domestic debt to the Central Bank and (3) administrative costs relating to financial management and audit of the program.

Conditionality for the first tranche authorization of \$15,000,000 is contained in the attached Action Memorandum.

Clearance:		Draft Date 9-22-94		DAA/LAC:NParker <i>NParker</i> Date 9-21-94	
LAC/DPB:RMeehan		Draft Date 09-21-94		Info: IG:JDurnil	
LAC/CAR:MBernbaum		Draft Date 09-21-94			
LAC/DPB:EZallman		Draft Date 09-21-94			
29. GC/LAC:RMeighan	Draft	9-21-94	20. Action		
LAC/DPB:MOtt	Draft	9-21-94	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED		
PPC/DP:RGreene	Draft	9-21-94	Authorized Signature <i>[Signature]</i>		
ARA/ECP:JHarrington	Draft	9-21-94	Date 9/24/94		
ARA/HWG:GMaybarduk	Draft	9-21-94	Title Assistant Administrator, LAC		
M/FM:JDockter	<i>[Signature]</i>	9/23/94			
LAC/SPM:ERupprecht	Draft	9-21-94			
LPA/LAC:NLevine	Draft	9-21-94			

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)

1. PAAD Number
521-0253 521-K-607A

2. Country
HAITI

3. Category
CASH TRANSFER

4. Date

5. To
AA/LAC: Mark L. Schneider

6. OYB Change Number
LAC-94-080

8. OYB Increase

7. From
LAC/SPM: Christina M. Schneider *Christina M. Schneider*

To be taken from:

9. Approval Requested for Commitment of
\$ 700,000

10. Appropriation Budget Plan Code
72-114/51037 LES494-35521-KG31

11. Type Funding
☐ Loan ☒ Grant

12. Local Currency Arrangement
☐ Informal ☒ Formal ☐ None

13. Estimated Delivery Period
FY 94

14. Transaction Eligibility Date

15. Commodities Financed

16. Permitted Source

U.S. only

Limited F.W.

Free World

Cash \$700,000

17. Estimated Source

U.S.

Industrialized Countries

Local

Other

18. Summary Description

The Emergency Balance of Payment Support Program (521-0253) will support restoration of democracy by providing an ESF grant of \$45,000,000 as emergency balance of payments support. The funds will be disbursed in several tranches during the first six months after political resolution. The ESF dollars will be deposited in a separate account in the Federal Reserve Bank of New York and will be used to finance external transactions in the following eligible categories: (1) the import of petroleum and (2) payment of regularly scheduled debt service to the international financial institutions once arrears are cleared. Local currencies will be generated for those ESF dollars used for petroleum imports. Local currency will be deposited in a special account and jointly programmed for the following eligible uses: (1) general budget support (2) to retire public sector domestic debt to the Central Bank and (3) administrative costs relating to financial management and audit of the program.

Conditionality for the first tranche authorization of \$15,000,000 is contained in the attached Action Memorandum.

Clearance:

LAC/DPB:RMeehan Draft Date 9-22-94
LAC/CAR:MBerntaum Draft Date 09-21-94
LAC/DPB:EZallman Draft Date 09-21-94

Info: DAA/LAC:NParker Draft Date 9-21-94
IG:JDurnil

19. GC/LAC:RMeighan Draft 9-21-94
LAC/DPB:MOtt Draft 9-21-94
PPC/DP:RGreene Draft 9-21-94
ARA/ECP:JHarrington Draft 9-21-94
ARA/HWG:GMaybarduk Draft 9-21-94
M/FM:JDockter *J. Dockter* 9/22/94
LAC/SPM:ERupprecht Draft 9-21-94
LPA/LAC:NLevine Draft 9-21-94

20. Action

☒ APPROVED☐ DISAPPROVED

Authorized Signature

Date 9/27/94

Title Assistant Administrator, LAC

Program Assistance Approval Document
Haiti - Emergency Balance of Payment Support
Project Number 521-0253
September 1994

1. Recommendation: USAID/Haiti recommends that a cash transfer grant be approved for Haiti in the amount of \$45,000,000, to assist the restored constitutional government of Haiti to stabilize its economy and to finance the basic functions of government during the first months after political resolution.

2. Background: Prior to the September 30, 1991, coup that overthrew President Jean-Bertrand Aristide, Haiti was already the poorest country in the Western Hemisphere. Since the coup, the country has seen its economy shrivel. Three years of increasingly harsher internationally mandated sanctions have combined with ever more irresponsible fiscal and monetary mismanagement to produce economic and social retrenchment unparalleled in modern Haitian history.

Overall Macroeconomic Trends - In 1991, Haiti's per capita GDP totalled about \$275 per year, making the country the poorest in the Western Hemisphere and among the least developed economies in the world. The vast majority of its 6.7 million people lived below an absolute poverty level of \$150 annually. In the intervening three years, the situation has substantially worsened. Recent USAID estimates suggest that real GDP has declined by about twenty percent in FY 1994, and by a total of nearly thirty percent over the last three years.

The fragmentary information available portrays the dimensions of Haiti's economic freefall. USAID estimates that gross domestic investment will plummet to 3-4 percent of GDP, reflecting the entropy that is devastating the country's productive capacity. The construction industry is at a standstill due to high fuel prices, the tripling of the cost of cement and the general drop in income. The manufacturing sector has seen no new foreign investment in more than three years. The once-thriving export assembly sector has gone from its pre-coup level of 35,000 direct jobs to total shutdown. Public sector investment in FY 1994 has been nonexistent.

Inflation has soared, spurred almost entirely by excessive public sector deficits. Inflation has climbed from 30 percent in FY 1992, to 45 percent in FY 1993, to a projected 60 percent in FY 1994. The gourde, which stood at 12.4 per dollar at the end of FY 1993, dropped to 22-23 gourdes per dollar at the end of August 1994 -- a depreciation of more than 70 percent. [Although the public sector deficit continues to grow, recent de facto regime threats directed at foreign exchange dealers and the banks, coupled with Central Bank delays in making cash available to financial institutions, have succeeded for the moment in bringing the gourde exchange rate back to 18-20 per U.S. dollar.

The underlying inflationary pressures, however, have not been dealt with. In fact, since deficit finance shows its impact on prices with a lag, it is likely that the Aristide government will face significant inflation in the first months after political resolution due to the excesses of the outgoing de facto regime.]

Public Sector Finances - The extent to which Haiti's public finances are currently being mismanaged rivals the worst excesses of the Duvalier regime. Reversing the damage and bringing the deficit under control will present a substantial challenge to the economic authorities of the restored constitutional GOH. At present, the government is operating without a budget. There is no control being exercised over the number of public employees, i.e., in practice, there are no personnel ceilings. A large proportion of nonsalary expenditures is not being accounted for. There are virtually no efforts on the part of the public sector to collect taxes. The public sector is forcibly borrowing from the commercial banks. It is mounting a large-scale public works program without having the means (and some say, the intention) of paying for it.

During the difficult period from October 1993 through May 1994, when the government of Prime Minister Malval was able to exercise at least some control over the public sector, the GOH Treasury accumulated a fiscal deficit of 362.1 million gourdes -- an average of 45.3 million per month. With the forced ouster of the Malval cabinet in mid-May 1994, the situation abruptly changed.

The de facto cabinet has accumulated a Treasury deficit of 433.7 million gourdes in just three short months. The Treasury's monthly revenues dropped from approximately 64 million during the October-to-May period to about 40-45 million per month during the past three months. At the same time, GOH Treasury expenditures jumped from their October-to-May average of 101 million per month to an average of 187 million per month during June, July and August. Given that the Haitian budget traditionally consists almost entirely of the public sector wage bill, and that existing salaries have not been increased or, in some cases (e.g., teachers), not even paid, these figures give an idea of the extent of the financial mismanagement being perpetrated by the de facto regime.

On the expenditure side, two items stand out in the available information. First, a large proportion of nonsalary expenditures are being disbursed into "checking accounts", from which sectoral ministers and other, often unknown, high officials make disbursements that are never accounted for. The Ministry of Finance's Treasury tables reveal that checking account disbursements have totalled 133 million gourdes during the June through August period.

Second, to build popular support, the de facto regime has executed a public works program and is providing subsidies to small farmers and poultry growers, among others. Of the program's authorized level of 174 million gourdes, more than 71 million had been disbursed by the end of August, of which almost 60 million gourdes have gone to the Ministry of Public Works. It is speculated that some of the bills for the public works program are in arrears, and will be awaiting the constitutional government's return for payment.

On the revenue side, Treasury revenues have undergone a spectacular drop since the coup, as each succeeding de facto regime has been hesitant to alienate the shrinking base of political backers. In FY 1991, the Treasury collected 1,332.4 million gourdes. In FY 1992, revenues dropped to 875.4 million gourdes, despite an inflation of 30 percent. In FY 1993, revenues increased slightly in nominal terms to 963.6 million gourdes; but the result was still a drop in real terms as inflation accelerated to 45 percent. In FY 1994, based on an assumption of approximately 35-40 million gourdes for the final month of the fiscal year, Treasury revenues will drop further to a projected 675 million gourdes in nominal terms, against a backdrop of 60 percent estimated inflation.

Put another way, in FY 1991, the 1332.4 million gourdes collected amounted to about 8.0 percent of GDP. USAID/Haiti estimates of FY 1994 revenues correspond to barely 1.8 percent of estimated GDP.

In an attempt to mobilize Treasury revenues, the new Jonaissant Minister of Economy and Finance, installed three weeks ago in the wake of his predecessor's failure to keep the exchange rate in check, has sought to identify potential sources of income. A "Committee for the Recovery of Outstanding Taxes" has identified more than 162 million gourdes owed by 17 large taxpayers. Under current circumstances, there is not much likelihood of collection of these taxes, however. Of these taxes owed, 132 million gourdes correspond to overdue tax payments. Of this amount, in turn, 60 million gourdes are owed by seven public enterprises, including the phone company, the electric company and the airport. Another 62 million gourdes are owed by ten of the wealthiest names in the country and the biggest political supporters of the de facto regime.

Domestic escrow accounts, set up in local banks by U.S. companies unable to make payments (whether for taxes or for services) to the GOH and its satellites, are estimated to contain between 500 and 600 million gourdes. Almost all -- in all likelihood, all -- of the more than 340 million gourdes in escrow at the Banque de l'Union Haitienne, a bank with particularly

close ties to the de facto authorities, have been mortgaged to the Central Bank in exchange for Central Bank advances to the central government.

There is little information on the rest of government. Some partial monetary information provides some indication of the magnitude of a consolidated public sector deficit. In addition to the 795.8 million gourde Treasury deficit so far in FY 1994 (through August 31), the Central Bank has provided an additional 490.4 million gourdes in advances to the public enterprises as of July 31. A government-owned commercial bank, the Banque Nationale de Credit, shows in its accounts an increase in credit to the public enterprises of 568.7 million gourdes through the end of March. USAID/Haiti estimates that the consolidated public sector deficit for FY 1994 could reach close to 2.5 billion gourdes by the end of the fiscal year (September 30).

Balance of Payments - There are no balance of payments data available for Haiti.

Financial Sector - A quick review of the financial sector confirms the continued deterioration of the Haitian economy. The evolution of commercial bank credit to the private sector is as follows:

<u>Date</u>	<u>Credit Outstanding</u>
October 1, 1993	G. 2,548 million
December 31, 1993	G. 2,682 million
March 31, 1994	G. 2,731 million
July 31, 1994	G. 2,895 million
August 25, 1994	G. 2,815 million

In nominal terms, commercial bank credit to the private sector has increased by barely 10.5 percent over the first eleven months of FY 1994, even as inflation approached sixty percent.

In FY 1994, the deposits of the banking system continued their nominal expansion of the prior two years, fueled by the public sector deficit. On October 1, 1993, the system's deposits were 5,187 million gourdes. On August 25, 1994, deposits totalled 5,858 million gourdes -- a nominal increase of 13.0 percent, but in light of recent inflation, a drop in real terms.

Caught in the squeeze between the deposit base and the much smaller demand for credit, the commercial banks have seen their liquidity grow. Excess reserves of the banking system grew from 268 million gourdes on October 1, 1993, to 525 million gourdes on

August 19, 1994 -- a nominal increase of 98 percent. This liquidity position is a burden on commercial banks as they must pay interest on deposits, while profitable opportunities for lending became even scarcer. Much of the demand for credit in present day Haiti is for speculative purposes, including purchase of foreign exchange, further putting the banks at risk.

3. Program Justification:

When constitutional government is restored to Haiti, the immediate challenge to the Aristide government will be to bring down inflation and restore order to the public finances. As noted in the section above, current high inflation in Haiti is entirely due to the public sector deficit that is being internally financed. Given the lack of credit demand and the moribund state of the private economy, stabilization has little prospect to be achieved by restricting private credit.

The tasks necessary to restore discipline to the public finances will be difficult, and must be started right away. Essential actions that must be accomplished by the restored constitutional government in the first weeks after political resolution include:

- The GOH must name its economic cabinet, and take over and discipline the budget, tax collection and Central Bank agencies of government.

- There must be immediate reactivation of tax collections, including capturing revenues that up to now have been diverted from government coffers under de facto rule. Some form of tax amnesty with a short grace period should be used to recapture revenues not paid during the period of de facto rule.

- The GOH must immediately reimpose discipline over public sector finances, including bumping "ghost employees" off the payrolls, and ending leakages of funds through extrabudgetary accounts.

- There must be immediate elaboration and publication of a budget for FY 1995.

- The GOH must immediately revalue the tax base to reflect recent inflation and devaluation (for example, customs duties are levied based on the old exchange rate).

- Other emergency measures must be taken early, such as excise tax increases, elimination of the petroleum subsidy, development of a voluntary separation program for public employees, and elaboration of a strategy to deal with the sensitive political issue of domestic arrears.

These kinds of short-term measures will underpin Haiti's early discussions with the International Monetary Fund, the World Bank and Inter-American Development Bank regarding planned funding for budget support and for economic stabilization. Without early accomplishment of these tasks, the accelerated timetable envisioned for a Stand-by Agreement with the International Monetary Fund falls apart.

Such measures will be both politically and administratively difficult in the chaotic atmosphere that is likely to prevail in the first weeks after political resolution. Nonetheless, the restoration of order to the public finances is essential to the success of just about any other objective posited for Haiti for the first twelve months after restoration of constitutional government.

Key to the process will be the availability of external budget support to cover Haiti's basic costs of running government (chiefly, the wage bill up to now) until tax revenues can be reactivated and until other resources (such as balance of payments support from the World Bank and IDB) can be made available. The World Bank and IMF have estimated that Haiti would require roughly U.S. \$45 million in budget support to be disbursed over the period (approximately four - six months) until IFI balance of payments support is available. Recent deterioration of the economy has led Government of Haiti economic advisors to raise estimates of the need for budget support by an additional \$30 million over the first twelve months after political resolution, with much of the additional amount needed in the early months.

The United States has committed itself to providing \$45 million, and is seeking commitments from other bilateral donors to cover additional budget support needs. With \$45 million available from an ESF cash transfer, President Aristide's government will have the breathing space necessary to implement the tasks required to put the public finances back in order and to take the steps necessary to gain access to World Bank, IMF and Inter-American Development Bank resources.

If the U.S. does not provide the budget support proposed in this document, the scenario in the early months will become quite negative. Inflation, which under any circumstance will be a difficult problem in the first months, would continue to spiral upward, as Aristide's government would be forced to print money to finance its operations. Negotiations with the IFIs would be more difficult and protracted, because the depth of the economic imbalances would be that much more severe, and palliative measures more politically difficult to accomplish. The viability of the restored government under such circumstances would be uncertain at best and most likely, the government would fail.

4. Program Description:

a. Purpose of Assistance: The purpose of the proposed cash transfer is to help stabilize the Haitian economy and to finance the basic functions of government during the first months after political resolution. Current unprecedented inflation and currency depreciation directly reflect the heavy recourse to deficit financing exercised by the de facto regime now controlling Haiti's public sector. Inflation can only be reduced by restoring control to the budget, reactivating tax collections, and introducing sufficient external balance of payments resources to the Haitian economy to cover the near-term budgetary shortfall.

b. Proposed Use of ESF Dollars: The proposed cash transfer will be deposited in a Government of Haiti separate, noncommingled account established at the Federal Reserve Bank of New York. The Program Agreement with the GOH will contain the following provision: "That the GOH agrees that any interest earned on funds in the special account shall be returned to the Government of the United States. Alternatively the parties may agree on a method of direct disbursement of grant proceeds by the United States in payment of certain debt or other obligations of the GOH. USAID will issue a program implementation letter to provide instructions on effecting payment to the United States of any interest earned or on the alternative direct reimbursement method." The estimates of needs and the tranching strategy will keep interest earnings to a minimum, in accordance with USAID's concern for prudent cash management. USAID is working through the interagency process to assure that the U.S. Department of the Treasury's OFAC restrictions on Government of Haiti bank accounts, if still present at the time when the assistance is needed, do not impede implementation of the program.

The market for foreign exchange in Haiti is relatively free of public sector intervention, and the exchange rate is set by the forces of supply and demand. In this context, the choice of eligible uses for the cash transfer dollars disbursed by the U.S. foreign assistance program depends on administrative ease and a sense of the priority demands for foreign exchange. The introduction of the U.S. cash transfer dollars into Haiti certainly will make access to dollars relatively easier and the exchange rate more stable for all sectors needing dollars to do business.

The proposed eligible uses for the \$45 million in ESF dollars are: (1) imports of petroleum, and (2) currently scheduled payments of principal and interest to the international financial institutions.

o Imports of Petroleum: The petroleum market was severely disrupted by the sanctions. It is imperative that normal

channels for petroleum distribution and sale be reestablished as quickly as possible, not only to discourage black marketeering that provided significant rents to de facto authorities and supporters, but also to reestablish a significant potential early contributor to Haiti's treasury. This point cannot be stressed enough. The first days of restored democracy will provide a uniquely opportune moment to take an effective measure toward stabilizing Haiti's economy. If Haiti abandons the present policy of subsidizing petroleum, and moves to a policy of taxing it, significant resources can be raised for the Treasury. The political impact will be minimal, as the population will view reduction from the peak embargo prices of \$10.00 or more per gallon to something much less as an improvement.

USAID will concur with requests for withdrawal of funds from the separate account on presentation of documentation by the Government of Haiti indicating that the withdrawal will be used to pay for shipment of petroleum products to Haiti. The specific mechanism for the importation of petroleum and the issue of petroleum pricing (namely, that petroleum be sold at market-based prices) will be discussed and agreed with the GOH authorities prior to release of funds.

o IFI Debt Service Payments: The Haiti Support Group, chaired by the U.S. Treasury Department, anticipates that Haiti's arrears to the World Bank, International Monetary Fund, and Inter-American Development Bank will be cleared approximately 4-5 weeks after political resolution. Thereafter, Haiti will need to remain current on its payments to these institutions to maintain access to their resources. USAID will concur with requests for withdrawal of funds from the separate account on presentation of documentation by the Government of Haiti indicating that the withdrawal will be used to service regularly scheduled payments to the International Monetary Fund, the World Bank and the Inter-American Development Bank.

c. Proposed Use of Local Currency: Local currency is generated when the use of dollars results in an arm's length sale of those dollars to the private sector. In the case of the use of dollars for petroleum imports, the sale of petroleum to the public will result in local currency generation. For each withdrawal of ESF dollars from the separate account for the purpose of petroleum importation, USAID/Haiti will require that the GOH make a deposit within five working days of the equivalent amount of local currency, calculated at the highest exchange rate that is not illegal, into a special account in Haiti's Central Bank.

Local currency deposits will be jointly programmed for three eligible categories of use: (1) general budget support, (2) to cover the administrative, financial management and audit costs of this program, and (3) retirement of central Government debt with the Central Bank. These three uses assure that the funds have

their maximum impact in covering the basic costs of government in Haiti, and helping achieve stabilization of the economy.

Financial management controls in Haiti are currently being disregarded by the de facto regime. It is not clear at this point what the state of financial controls will be when the Aristide government is restored. USAID/Haiti will make arrangements for audits of both dollar and local currency accounts with IG-approved audit firms.

For withdrawals of ESF dollars from the Federal Reserve Bank Account for the purpose of making debt service payments to the IFIs, there is no arm's length transaction with the private sector and hence no local currency will be generated. In essence, the local currency related to this transaction is provided by the Central Government to the Central Bank for the purpose of acquiring the dollars to make external payments.

d. Conditionality: To further enhance the impact of the cash transfer assistance on stabilization of the Haitian economy, USAID/Haiti proposes that the assistance be divided into three equal tranches.

First Tranche Conditionality:

The first tranche of \$15 million will be disbursed into Haiti's separate account at the Federal Reserve Bank of New York when the following conditions are met:

1. Constitutional government is restored to Haiti. The definition of the the event(s) necessary for this condition to be met will be discussed and agreed upon with the constitutional GOH, and specific language incorporated into the agreement.
2. The Aristide government makes a public statement of its intention to pursue sound economic policies, support private sector investment, labor-intensive export-led growth, and to reduce poverty and improve living conditions. [This statement was prepared and made by officials of the Aristide government at the August 26, 1994, informal donors meeting in Paris. The text has been distributed in Haiti.]

Disbursement of ESF dollars by the GOH out of the separate account for petroleum purchases will be conditioned upon:

1. GOH assurance that the price at which petroleum products will be sold in Haiti will reflect the full import cost, associated taxes and duties, and

their maximum impact in covering the basic costs of government in Haiti, and helping achieve stabilization of the economy.

Financial management controls in Haiti are currently being disregarded by the de facto regime. It is not clear at this point what the state of financial controls will be when the Aristide government is restored. USAID/Haiti will make arrangements for audits of both dollar and local currency accounts with IG-approved audit firms.

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Disbursement of ESF dollars by the GOH out of the separate account for petroleum purchases will be conditioned upon:

1. GOH assurance that the price at which petroleum products will be sold in Haiti will reflect the full import cost, associated taxes and duties, and administrative and distribution costs. [In other

administrative and distribution costs. [In other words, that petroleum products are not subsidized through the exchange rate or through the budget.]

2. Evidence that arrangements satisfactory to USAID have been made by the GOH to meet the audit and financial management requirements established in the agreement.

Second and Third Tranche Conditionality:

Conditions for the second and third tranches will relate to evidence of adequate progress in taking measures to restore stability to the economy and to put public finances in order. Conditions could include measures related to privatization, decentralization of public services, environmental protection, civil service reform, trade and tax reform or other steps. The specific elements of conditionality will be coordinated with the economic policy missions fielded to Haiti by the International Monetary Fund, the World Bank and the Inter-American Development Bank. Key measures to be discussed with the GOH will include those listed in Section 3 of this PAAD as "essential actions" for the first weeks of the restored constitutional government.

USAID/Haiti will develop second and third tranche conditionality in consultation with the restored Aristide economic cabinet, with the intention of identifying realistic measures that can be undertaken within the proposed time-frame for this assistance (namely, disbursement of all funds within six months of political resolution).

e. Covenants: USAID will seek a special covenant in the grant agreement reflecting the GOH's commitment to reactivate tax collections as quickly as possible, and to analyze, develop and implement reforms to the tax system to increase revenues and to improve its efficiency and fairness.

f. Accountability: USAID will establish accountability requirements for both dollar and local currency uses in the cash transfer agreement, including record-keeping and audit provisions. USAID/Haiti will make arrangements for audits of both dollar and local currency accounts with IG-approved audit firms.

5. Negotiating Strategy:

USAID will discuss the broad outlines of the proposed program, including the draft program agreement, with representatives of President Aristide's government present in Washington. USAID intends to have the funds for the first tranche of assistance (\$15 million) obligated by or on the date of political resolution, with the first disbursement several days later.

Two specific points to be included in the initial negotiating session are: 1) the requirement for USAID/Haiti to conduct independent financial surveys and audits; and 2) the possible need to assist the GOH to establish adequate financial systems.

Due to the special circumstances, some aspects of the program identified above cannot be finalized until after political resolution is achieved. USAID/Haiti will complete these arrangements and discussions in Haiti, keeping Washington agencies fully informed.

Attachments:

A.I.D. Statutory Checklist
Environmental Threshold Decision

A.I.D. PROJECT STATUTORY CHECKLIST

Introduction

The statutory checklist is divided into two parts:
5C(1) - Country Checklist; and 5C(2) - Assistance Checklist.

The Country Checklist, composed of items affecting the eligibility for foreign assistance of a country as a whole, is to be reviewed and completed by AID/W at the beginning of each fiscal year. In most cases responsibility for preparation of responses to the Country Checklist is assigned to the desk officers, who would work with the Assistant General Counsel for their region. The responsible officer should ensure that this part of the Checklist is updated periodically. The Checklist should be attached to the first PP of the fiscal year and then referenced in subsequent PPs.

The Assistance Checklist focuses on statutory items that directly concern assistance resources. The Assistance Checklist should be reviewed and completed in the field, but information should be requested from Washington whenever necessary. A completed Assistance Checklist should be included with each PP; however, the list should also be reviewed at the time a PID is prepared so that legal issues that bear on project design are identified early.

The Country and Assistance Checklists are organized according to categories of items relating to Development Assistance, the Economic Support Fund, or both.

These Checklists include the applicable statutory criteria from the Foreign Assistance Act of 1961 ("FAA"); various foreign assistance, foreign relations, anti-narcotics and international trade authorization enactments; and the FY 1994 Foreign Assistance Appropriations Act ("FY 1994 Appropriations Act").

These Checklists do not list every statutory provision that might be relevant. For example, they do not include country-specific limitations enacted, usually for a single year, in a foreign assistance appropriations act. Instead, the Checklists are intended to provide a convenient reference for provisions of relatively great importance and general applicability.

Prior to an actual obligation of funds, Missions are encouraged to review any Checklist completed at an earlier phase in a project or program cycle to determine whether more recently enacted provisions of law included on the most recent Checklist may now apply. Because of the reorganization and consolidation of checklists reflected here, such review may be particularly important this year. Space has been provided at the right of the Checklist questions for responses and notes.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 522 of the FY 1994 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) has the President in the April 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 45

calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

Recipient is not defined as either a major illicit drug producing or a major drug transit country.

2. **Indebtedness to U.S. citizens**
(FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No

3. **Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to

No

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owned by them without taking steps to discharge its obligations toward such citizens or entities?

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1994 Appropriations Act Secs. 507, 523): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? No


5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC? No

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? No

8. Loan Default (FAA Sec. 620(q);

Yes, on September 15, 1994 the President signed an FAA Section 451 determination permitting this assistance, despite GOH arrears.



FY 1994 Appropriations Act Sec. 512 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

9. **Military Equipment** (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Yes

10. **Diplomatic Relations with U.S.** (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No

11. **U.N. Obligations** (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) As of August 15, 1994, Haiti is \$415,529 in the arrears of its U.N. obligation. On September 15, 1994 the President signed FAA Section 451 determination permitting assistance, despite GOH arrears.

12. **International Terrorism**

a. **Sanctuary and support** (FY 1994 Appropriations Act Sec. 529; FAA Sec. 620A): Has the country been No

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sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No

13. Countries that Export Lethal Military Equipment (FY 1994 Appropriations Act Sec. 573). Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act?

No

14. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No

15. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the

No

United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

16. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

N/A

17. Military Coup (FY 1994 Appropriations Act Sec. 508): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No

18. Exploitation of Children (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

No

19. Parking Fines (FY 1994 Appropriations Act Sec. 574): Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of September 30, 1993?

Yes

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

Human Rights Violations (FAA Sec. 116): Has the Department of State

N/A

116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

Yes, assistance will be provided under Section 451 of the FAA to support the U.S. Foreign policy objective. Funding for Haiti in FY 1994 and 1995 exempts the program from these prohibitions.

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and

The Cash Transfer will help stabilize the Haitian economy and to finance the basic function of the Government during the first months after political resolution. This Cash Transfer will assist the Government in implementing its development programs.

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savings and loan associations;
(d) discourage monopolistic practices; (e)
improve technical efficiency of industry,
agriculture, and commerce; and (f)
strengthen free labor unions.

2. U.S. Private Trade and Investment N/A
(FAA Sec. 601(b)): Information and
conclusions on how assistance will
encourage U.S. private trade and
investment abroad and encourage private
U.S. participation in foreign assistance
programs (including use of private trade
channels and the services of U.S. private
enterprise).

3. Congressional Notification

a. General requirement (FY 1994
Appropriations Act Sec. 515; FAA Sec.
634A): If money is to be obligated for an
activity not previously justified to
Congress, or for an amount in excess of
amount previously justified to Congress,
has Congress been properly notified
(unless the Appropriations Act
notification requirement has been waived
because of substantial risk to human
health or welfare)?

Regular notification has been waived
by the President pursuant to the FAA
451 Determination. The State
Department has given the required
notification of this Action.

b. Special notification
requirement (FY 1994 Appropriations Act
Sec. 520): Are all activities proposed
for obligation subject to prior
congressional notification?

See Above.

c. Notice of account transfer N/A
(FY 1994 Appropriations Act Sec. 509): If
funds are being obligated under an
appropriation account to which they were
not appropriated, has the President
consulted with and provided a written
justification to the House and Senate
Appropriations Committees and has such
obligation been subject to regular
notification procedures?

c. Cash transfers and
nonproject sector assistance (FY 1994
Appropriations Act Sec. 537(b)(3)): If
funds are to be made available in the form
of cash transfer or nonproject sector

assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

See Above.

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

6. Water Resources (FAA Sec. 611(b)): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. Cash Transfer/Nonproject Sector Assistance Requirements (FY 1994 Appropriations Act Sec. 537). If assistance is in the form of a cash transfer or nonproject sector assistance:

a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

Yes

b. Local currencies: If assistance is furnished to a foreign

government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) Yes
required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local Yes
currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all Yes
appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is Yes
terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

8. Capital Assistance (FAA Sec. N/A
611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The cash transfer will help stabilize the Haitian economy and to finance the basic function of the government. The cash transfer will assist the constitutional government in launching a massive development program after post-resolution.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

N/A

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Local currency will be generated through the sales of dollars to the private sector for petroleum imports. Local currency deposits will be jointly programmed by A.I.D. and the GOH.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

12. **Trade Restrictions**

a. **Surplus Commodities** (FY 1994 Appropriations Act Sec. 513(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

b. Textiles (Lautenberg Amendment) (FY 1994 Appropriations Act Sec. 513(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

N/A

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3) (as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

N/A

14. PVO Assistance

a. Auditing and registration (FY 1994 Appropriations Act Sec. 568): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A

b. Funding sources (FY 1994 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A

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15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

N/A

16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

17. Abortions (FAA Sec. 104(f); FY 1994 Appropriations Act, Title II, under heading "Population, DA," and Sec. 518):

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.) N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.) N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? N/A

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? N/A

18. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? N/A

19. U.S.-Owned Foreign Currencies

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a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1994 Appropriations Act Secs. 503, 505): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. Yes

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

20. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? N/A

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? N/A

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing N/A

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under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

f. Cargo preference shipping
(FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

N/A

g. Technical assistance
(FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. U.S. air carriers
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

N/A

i. Consulting services
(FY 1994 Appropriations Act Sec. 567): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

N/A

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public inspection (unless otherwise provided by law or Executive order)?

Yes

j. Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

k. Competitive Selection

N/A

Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

1. Chemical Weapons (FY 1994 Appropriations Act Sec. 569): Will the assistance be used to finance the procurement of chemicals that may be used for chemical weapons production?

No

21. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they

N/A

be let on a competitive basis to maximum extent practicable?

c. Large projects, Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

N/A

22. U.S. Audit Rights (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

23. Communist Assistance (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

N/A

24. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

N/A

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

N/A

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property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

26. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

Assistance to the Haitian Police has been authorized by the President's September 15, 1994 Determination under FAA 451

27. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities?

Yes

28. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

Yes

29. **Export of Nuclear Resources** (FY 1994 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?

Yes

30. **Publicity or Propaganda** (FY 1994 Appropriations Act Sec. 557): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No

31. **Marine Insurance** (FY 1994 Appropriations Act Sec. 531): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

N/A

32. **Exchange for Prohibited Act** (FY 1994 Appropriations Act Sec. 533): Will any assistance be provided to any foreign

32. Exchange for Prohibited Act (FY 1994 Appropriations Act Sec. 533): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

N/A

33. Commitment of Funds (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement?

N/A

34. Impact on U.S. Jobs (FY 1994 Appropriations Act, Sec. 547):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?

No

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?

No

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture?

No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1994 Appropriations Act Sec. 513(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits** (FY 1994 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

N/A

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

N/A

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give

N/A

reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries. N/A

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? N/A

8. Benefit to Poor Majority (FAA Sec. 128(b)): If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? N/A

9. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where N/A

applicable procurement rules allow otherwise?

10. Disadvantaged Enterprises (FY 1994 Appropriations Act Sec. 558): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

N/A

11. Biological Diversity (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

N/A

12. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

N/A

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

N/A

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of

N/A

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conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? No

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

13. Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

14. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

15. Deobligation/Reobligation (FY 1994 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A

16. Loans

N/A

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

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c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

17. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

N/A

18. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

N/A

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural

development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

19. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

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20. **Education and Human Resources Development** (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

21. **Energy, Private Voluntary Organizations, and Selected Development Activities** (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

N/A

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

22. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

N/A

CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. Economic and Political Stability (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

Yes

2. Military Purposes (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

No

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).)

N/A

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4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1994, this provision is superseded by the separate account requirements of FY 1994 Appropriations Act Sec. 537(a), see Sec. 537(a)(5).)

N/A

5. **Capital Projects** (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act. Note, as well, that although a comparable provision does not appear in the FY 94 Appropriations Act, the FY 93 provision applies to, among other things, 2-year ESF funds which could be obligated in FY 94.)

N/A



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-94-28

REQUEST FOR A CATEGORICAL EXCLUSION

Project Location : Haiti

Project Title : Emergency Balance of Payments Support

Project Number : 521-0253

Funding : \$45,000,000 (ESF)

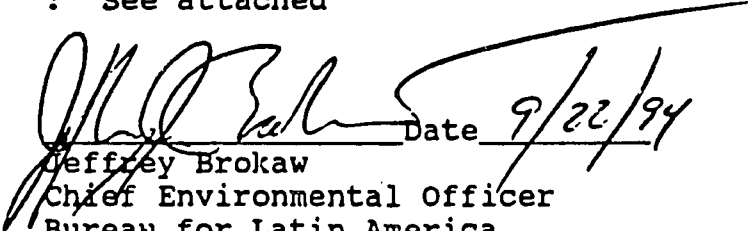
Life of Project : 1 year

IEE Prepared by : Abdul Wahab, USAID/Haiti
Environmental Officer

Recommended Threshold Decision: Categorical Exclusion

Bureau Threshold Decision : Concur with Recommendation

Comments : See attached

 Date 9/22/94
Jeffrey Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

Copy to : Larry Crandall, Mission Director
USAID/Haiti

Copy to : Abdul Wahab
USAID/Haiti

Copy to : Marcia Bernbaum, LAC/CAR

Copy to : Erhardt Rupprecht, LAC/SPM/CAR

Copy to : IEE File


ENVIRONMENTAL THRESHOLD DECISION

Project Location : Haiti

Project Title and Number : Emergency Balance of Payments
Support
521-0253

Funding : \$45,000,000 (ESF)

Life of Project : 1 Year

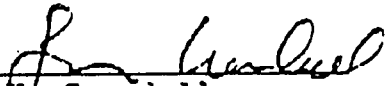
IEE Prepared By : 
Abdul H. Wahab
Environmental Officer
USAID/Haiti

Recommended Threshold Decision : Categorical Exclusion

Mission Threshold Decision : Concur with Recommendation

Date Prepared : September 16, 1994

Comments : The Grant Agreement will
contain a condition indicating
that no pesticides will be
procured without first
completing an environmental
assessment and having it
approved by USAID/W.


Larry K. Crandall
Mission Director

9/16/94
Date

Description:

This program will support restoration of democracy by providing an ESF grant of \$45,000,000 as emergency balance of payments

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support. The funds will be disbursed in several tranches during the first six months after political resolution. The ESF dollars will be deposited in a separate account in the Federal Reserve Bank of New York and will be used to finance external transactions in the following eligible categories: (1) the import of petroleum and (2) payment of regularly scheduled debt service to the international financial institutions once arrears are cleared. Local currencies will be generated for those ESF dollars used for petroleum imports. Local currency will be deposited in a special account and jointly programmed for the following eligible uses: (1) general budget support and (2) to retire public sector domestic debt to the Central Bank.

Determination:

Pursuant to USAID environmental regulations expressed in 22 CFR, Section 216.2(c)(1)(ii), an IEE is generally not required when "AID does not have knowledge of, or control over, and the objective of AID in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over the details of the specific activities that have an effect on the physical and natural environment for which financing is providing by AID."

Moreover, Handbook 3, Appendix D, Section 216.2(c) (2) (vi) states that "Contributions to international, regional or national organizations by the United States which are not for the purpose of carrying out a specifically identifiable project of projects" are not subject to AID's environmental procedures. The above exemptions do not apply, however, to assistance for the procurement or use of pesticides.

The FY 94 program will not provide support for the purchase or use of pesticides. A condition will be placed in the Grant Agreement indicating no pesticides will be procured or used without first completing an Environmental Assessment and having it approved by the LAC Bureau Environmental Officer.

Recommendation: That no further environmental study be undertaken for this PAAD and that you sign the Environmental Threshold Decision facesheet, indicating your approval of a categorical exclusion for this program.

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GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF HAITI
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA

SEPTEMBER 30, 1994

ACCORD DE DON
ENTRE
LE GOUVERNEMENT DE LA REPUBLIQUE D'HAITI
ET
LE GOUVERNEMENT DES ETATS-UNIS D'AMERIQUE

LE 30 SEPTEMBRE 1994

NO: 521-0253

Appropriation Symbol: 72-113/41037
Budget Plan Code: LES394-35521-KG31
PAAD No. 521-K-607
Amount: \$14,300,000

Appropriation Symbol: 72-114/51037
Budget Plan Code: LES494-35521-KG31
PAAD No. 521-K-607A
Amount: \$700,000

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EMERGENCY BALANCE OF PAYMENTS
SUPPORT PROGRAM
PROGRAMME D'URGENCE D'APPUI À LA
BALANCE DES PAIEMENTS

GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC
OF HAITI
AND
THE GOVERNMENT OF
THE UNITED STATES OF AMERICA

ACCORD DE DON
ENTRE
LE GOUVERNEMENT DE
LA REPUBLIQUE D'HAITI
ET
LE GOUVERNEMENT DES
ETATS-UNIS D'AMERIQUE

ARTICLE I: THE AGREEMENT

By this Agreement, the Government of the United States of America, acting through the United States Agency for International Development ("USAID") and the Government of the Republic of Haiti ("the Grantee") hereby agree as follows:

ARTICLE II: THE ASSISTANCE

USAID, pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, agrees to grant to the Government of the Republic of Haiti under the terms of this Agreement an amount not to exceed Fifteen Million United States Dollars (U.S.\$ 15,000,000) for program assistance in support of the Government of the Republic of Haiti's Emergency Balance of Payments Support Program (the "Grant"). This Agreement provides financial support to assist the Grantee to strengthen its international reserve position, to implement policy reforms for economic recovery, and to help restore the financial balance of the Haitian public sector.

ARTICLE III: CONDITIONS PRECEDENT
TO DISBURSEMENT

Section 3.1. Conditions Precedent
to Disbursement

ARTICLE I: L'ACCORD

Aux termes du présent Accord, le Gouvernement des Etats-Unis d'Amérique, par l'intermédiaire de l'Agence Américaine pour le Développement International ("l'USAID") et le Gouvernement de la République d'Haiti ("le Bénéficiaire") conviennent de ce qui suit:

ARTICLE II: L'ASSISTANCE

Conformément à la Section 531 du Foreign Assistance Act de 1961, tel qu'amendé, l'USAID convient d'octroyer au Gouvernement de la République d'Haiti, aux termes du présent Accord, un montant ne dépassant pas Quinze Millions de Dollars Américains (U.S. \$15.000.000) pour un programme d'assistance au Programme d'Urgence d'Appui à la Balance des Paiements du Gouvernement de la République d'Haiti ("le Don"). Cet Accord fournit une aide financière au Bénéficiaire qui contribuera à renforcer sa position de réserve internationale, à exécuter des réformes nécessaires à la relance de l'économie, et à restaurer l'équilibre financier du secteur public haïtien.

ARTICLE III: CONDITIONS
PREALABLES AU DECAISSEMENT

Section 3.1. Conditions Préalables
au Décaissement

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The funds provided under this Agreement will be transferred in one disbursement. Prior to disbursement of the Grant, or to the issuance of documentation pursuant to which such disbursement will be made, the Grantee shall provide to USAID, in form and substance satisfactory to USAID, except as USAID may otherwise agree in writing:

(a) Evidence that President Aristide has returned to Haiti and that constitutional government has been restored.

(b) Evidence that the representatives of the restored constitutional government of Haiti have developed the broad outlines of their strategy to reactivate the Haitian economy; encourage private investment and labor-intensive, export-led growth; reduce poverty and improve living conditions; and improve public administration; and that they have presented these outlines publicly.

(c) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 6.6, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(d) Written evidence that the Grantee has established a separate interest-bearing dollar account at the Federal Reserve Bank of New York ("Separate Account") into which USAID will disburse the Grant funds under this Agreement. Should opening such account require coordination with the U.S. Treasury Office of Foreign Assets Control, USAID and the Grantee agree to collaborate to facilitate such coordination.

(e) A letter acceptable to USAID describing the mechanism by which funds will be disbursed from the Separate Account for the eligible uses described in Section C.1(b) of the Program Description

Les fonds alloués aux termes du présent Accord seront transférés en un seul décaissement. Avant le décaissement du Don, ou l'émission par l'USAID de documents régissant le décaissement, le Bénéficiaire fournira à l'USAID la documentation suivante, satisfaisante à l'USAID dans la forme et dans le fond, à moins que l'USAID n'en convienne autrement par écrit:

(a) La preuve que le Président Aristide est de retour en Haiti et que le gouvernement constitutionnel est rétabli.

(b) La preuve que les représentants du gouvernement constitutionnel restauré d'Haiti ont développé les grandes lignes de leur stratégie pour relancer l'économie haïtienne; encourager l'investissement privé et une croissance économique axée sur la main d'oeuvre intensive et tournée vers l'exportation; réduire la pauvreté et améliorer les conditions d'existence; améliorer la fonction publique; et qu'ils ont publiquement présenté lesdites grandes lignes.

(c) Une déclaration indiquant le nom de la personne qui représente le Bénéficiaire ou agit en son nom, et de tous autres représentants additionnels, tel que stipulé à la Section 6.6, ainsi qu'un spécimen authentifié de la signature de chaque personne figurant dans ladite déclaration.

(d) La preuve écrite qu'un Compte-Dollar Séparé, et porteur d'intérêts, dans lequel l'USAID décaissera les fonds du Don du présent Accord, a été établi à la Federal Reserve Bank of New York par le Gouvernement d'Haiti ("le Compte Séparé"). Au cas où l'ouverture dudit compte requerrait une coordination avec le Bureau de Contrôle des Avoirs Etrangers (OFAC) du Département Américain du Trésor, l'USAID et le Bénéficiaire s'engagent à collaborer en vue de faciliter ladite coordination.

(e) Une lettre, acceptable à l'USAID, décrivant le mécanisme par lequel les fonds seront décaissés à partir du Compte Séparé pour les utilisations éligibles à la Section C.1(b) de l'Annexe, intitulée

Annex ("Annex") attached hereto which forms a part of this Agreement. The disbursement mechanism shall include: requirements for supporting documentation for each withdrawal from the Separate Account, financial management and reporting procedures, and provisions for independent financial review. This supporting documentation will permit monitoring of disbursements and periodic reports to USAID on disbursements from the account.

Section 3.2. Conditions Precedent to Withdrawal of Funds from the Separate Account

Prior to the withdrawal of any funds from the Separate Account established pursuant to this Grant, the Grantee shall provide to USAID, in form and substance satisfactory to USAID, except as USAID may otherwise agree in writing:

(a) Evidence that petroleum imports will be sold at a price that fully reflects the import costs, taxes and duties assessed on petroleum and petroleum products, and administrative costs.

(b) Evidence that the Grantee has established in the Central Bank of Haiti a separate, noncommingled special local currency account ("Special Account") into which shall be deposited local currency generated pursuant to this agreement.

(c) A letter acceptable to USAID describing the mechanism by which local currency funds will be disbursed from the Special Account for the uses described in Section C.2(b) of the Annex. The local currency disbursement mechanism shall include: requirements for documentation for each withdrawal from the Special Account, financial management and reporting, and procedures for independent financial review. This supporting

Description du Programme, ("l'Annexe"), laquelle est attachée au présent Accord et fait partie intégrante de celui-ci. Le mécanisme de décaissement inclura: les conditions requises pour la documentation d'appui à chaque tirage de fonds du Compte Séparé, les procédures à suivre pour la gestion financière et les rapports, et les provisions pour un contrôle financier indépendant. Ladite documentation d'appui permettra le contrôle des décaissements et la préparation des rapports périodiques à l'USAID sur les décaissements à partir du compte.

Section 3.2. Conditions Préalables au Retrait des Fonds Provenant du Compte Séparé

Avant tout tirage de fonds du Compte Séparé établi conformément au présent Accord, le Bénéficiaire fournira à l'USAID, satisfaisantes à l'USAID dans la forme et dans le fond, à moins que l'USAID n'en convienne autrement par écrit:

(a) La preuve que les importations de produits pétroliers seront vendues en Haïti à un prix qui reflète les coûts d'importation, les impôts et les droits de douane sur les produits pétroliers, et les frais administratifs.

(b) La preuve que le Bénéficiaire a établi à la Banque de la République d'Haïti ("la Banque Centrale") un compte spécial séparé, dont les fonds en monnaie locale ne sont pas mêlés à d'autres fonds appartenant au Bénéficiaire ("le Compte Spécial"), et dans lequel seront déposés les fonds en monnaie locale générés conformément au présent Accord.

(c) Une lettre, acceptable à l'USAID, décrivant le mécanisme par lequel les fonds locaux seront décaissés à partir du Compte Spécial pour les utilisations stipulées à la Section C.2(b) de l'Annexe. Le mécanisme pour le décaissement des fonds en monnaie locale inclura: les conditions requises pour la documentation de chaque tirage de fonds du Compte Spécial, et les procédures à suivre pour la gestion financière, les rapports, et le

documentation will permit monitoring of disbursements and periodic reports to USAID on disbursements from this account.

(d) Evidence that arrangements acceptable to USAID have been made to fulfill the financial review, reporting and audit requirements established in Section 6.3 of this Agreement and Sections C.1(e), C.2(e), C.2(f) and C.2(g) of the Annex.

Section 3.3. Notification

When USAID has determined that the Conditions Precedent specified in Sections 3.1 and 3.2 have been met, USAID will promptly notify the Grantee.

Section 3.4. Terminal Dates for Conditions Precedent

USAID, at its option, may terminate this Agreement by written notice to the Grantee if the Conditions Precedent in Section 3.1 have not been met within ninety (90) days from the date of this Agreement, or such later date(s) as USAID may otherwise agree in writing.

ARTICLE IV: DISBURSEMENT TO THE GRANTEE

Section 4.1. Requests for Disbursement

For purposes of implementing this Agreement, disbursement will be requested from USAID by the Grantee. The request for disbursement will be submitted, using A.I.D. Form 1130-2 (1.65), to the United States A.I.D. Mission to Haiti.

Section 4.2. Deposit in the Separate Account

Upon satisfaction of the conditions set forth in Section 3.1 herein and receipt by USAID of the request for disbursement by the Grantee, as described in Section 4.1 above, USAID will deposit the Grant

contrôle financier indépendant. Ladite documentation permettra le suivi des décaissements et la préparation des rapports périodiques à l'USAID sur les décaissements effectués de ce compte.

(d) La preuve que des dispositions acceptables à l'USAID ont été prises pour satisfaire aux conditions requises pour le contrôle financier, les rapports et la vérification des comptes établies à la Section 6.3 du présent Accord et aux Sections C.1(e), C.2(e), C.2(f) et C.2(g) de l'Annexe.

Section 3.3. Notification

Lorsque l'USAID aura établi que les Conditions Préalables spécifiées aux Sections 3.1 et 3.2 ont été remplies, elle en informera promptement le Bénéficiaire.

Section 3.4. Dates Limites pour Satisfaire aux Conditions Préalables

L'USAID peut, à sa discrétion, mettre fin au présent Accord par notification écrite au Bénéficiaire si les Conditions Préalables spécifiés à la Section 3.1 n'ont pas été remplies dans les quatre-vingt dix (90) jours à partir de la date de la mise en vigueur du présent Accord, ou à une date ultérieure à laquelle l'USAID peut convenir par écrit.

ARTICLE IV: DECAISSEMENT AU BENEFICIAIRE

Section 4.1. Requêtes de Décaissement

Aux fins d'exécuter le présent Accord, le décaissement sera requis de l'USAID par le Bénéficiaire. Cette requête de décaissement sera soumise, en utilisant le formulaire 1130-2 (1.65) de l'USAID, à la Mission en Haïti de l'USAID.

Section 4.2. Dépôts au Compte Séparé

Après que les Conditions Préalables stipulées à la Section 3.1 auront été satisfaites, et suite à la réception par l'USAID de la requête de décaissement telle que décrite à la Section 4.1 ci-dessus,

funds in the Separate Account. Alternatively, the parties may agree on a method of direct reimbursement of Grant proceeds by the United States in payment of certain debt or other obligations of the Grantee. USAID will issue a Program Implementation Letter to provide instructions on the alternative direct reimbursement method. Funds deposited in the Separate Account, and interest earned on these funds, may not be commingled with other funds of the Grantee.

Section 4.3. Use of Interest on Grant Funds

In the event the Grant funds deposited into the Separate Account earn interest prior to their withdrawal by the Grantee for eligible uses, such interest earned shall be retained in the Separate Account and shall be returned to the Government of the United States. USAID will issue a program implementation letter to provide instructions on effecting payment to the United States of any interest earned.

Section 4.4. Date of Disbursement

Disbursement by USAID will be deemed to occur on the date on which the proceeds of the Grant are disbursed by USAID pursuant to Section 4.2 above.

Section 4.5. Terminal Date for Requesting Disbursements

Except as USAID may otherwise agree in writing, the terminal date for requesting disbursement by USAID to the Grantee under this Agreement will be twelve (12) months from the date of the signing of this Agreement. In the event that disbursement of the Grant has not been requested by that date, or such later date as USAID may agree in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE V: SPECIAL COVENANTS

l'USAID déposera les fonds du Don au Compte Séparé. Alternativement, les parties peuvent convenir d'une méthode de remboursement directe des fonds du Don par le Gouvernement des Etats-Unis en paiement de certaine(s) dette(s) ou d'autres obligations du Bénéficiaire. L'USAID émettra une Lettre d'Exécution de Programme pour fournir des instructions sur la méthode alternative de remboursement direct. Les fonds déposés au Compte Séparé, ainsi que les intérêts générés par ces fonds, ne peuvent pas être mêlés à d'autres fonds appartenant au Bénéficiaire.

Section 4.3. Utilisations des Intérêts Générés par les Fonds du Don

Dans le cas où les fonds du Don déposés au Compte Séparé génèrent des intérêts avant leur décaissement par le Bénéficiaire pour les utilisations éligibles, lesdits intérêts seront retenus dans le Compte Séparé et seront rendus au Gouvernement des Etats-Unis. L'USAID émettra une Lettre d'Exécution de Programme pour fournir des instructions sur la méthode de paiement des intérêts générés au Gouvernement des Etats-Unis.

Section 4.4. Date de Décaissement

La date de décaissement sera considérée comme étant la date à laquelle les fonds auront été déposés par l'USAID conformément à la Section 4.2 du présent Accord.

Section 4.5. Date Limite pour la Demande de Décaissement

Sauf stipulation contraire par écrit de l'USAID, la date limite pour la requête de décaissement à partir des fonds du Don sera de douze (12) mois à partir de la date de signature du présent Accord. Dans le cas où la requête de décaissement des fonds du Don ne serait pas reçue à cette date, ou à une date ultérieure à laquelle l'USAID aurait convenu par écrit, l'USAID peut, à sa discrétion, mettre fin au présent Accord par notification écrite au Bénéficiaire.

ARTICLE V: DISPOSITIONS SPECI

Section 5.1. Financial Management

The Grantee covenants that it will provide financial management and account for all Grant funds, both dollars and local currencies, in accordance with Sections 1 and 2 of Part C of the Annex.

Section 5.2. Reactivation of Tax Collection

The Grantee covenants that it will make its best efforts to reactivate tax collections as quickly as possible, in order to provide critically needed resources for public sector operations. The Grantee further covenants to identify, analyze and implement tax reform measures to improve tax revenue capacity, and efficiency and fairness of the tax system.

ARTICLE VI: MISCELLANEOUS

Section 6.1. Taxation and Fees

This Agreement and the amount of the Grant hereunder shall be free from any taxation or fees imposed under any laws in effect, or which may become effective during the term of this Agreement, within Haiti.

Section 6.2. Implementation Letters

To assist the Grantee in the implementation of this Agreement, USAID, from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed upon Implementation Letters to amend the Program Description Annex consistent with Article II of this Agreement.

Section 6.3. Reports, Records, Inspections and Audits

The Grantee will:

(a) Furnish to USAID, in form and substance satisfactory to USAID, such information and reports

Section 5.1. Gestion Financière

Le Bénéficiaire convient de fournir la gestion financière et de justifier tous les fonds provenant du Don, y compris ceux en dollars américains, et ceux en fonds locaux, conformément aux Alineas 1 et 2 de la Section C de l'Annexe.

Section 5.2. Réactivation du Prélèvement des Impôts

Le Bénéficiaire convient d'exercer tous ses efforts pour réactiver la collecte des impôts aussitôt que possible, pour pouvoir disposer des ressources nécessaires aux urgentes opérations du secteur public. Le Bénéficiaire convient aussi d'identifier, analyser et exécuter des mesures de réforme pour améliorer sa capacité de collecte des impôts, et l'efficacité et l'équité du système d'impôts.

ARTICLE VI: DIVERS

Section 6.1. Taxation et Charges

Le présent Accord et le montant des fonds alloués aux termes du présent Accord ne seront assujettis à aucune taxe ou charge imposées en vertu des lois actuellement en vigueur en Haïti, ou qui pourraient devenir effectives pendant la durée du présent Accord.

Section 6.2. Lettres d'Exécution du Programme

En vue de faciliter la mise à exécution du présent Accord par le Bénéficiaire, l'USAID fera usage de temps à autre de Lettres d'Exécution qui fourniront des informations supplémentaires relatives aux objectifs visés par le présent Accord. Les parties peuvent aussi utiliser des Lettres d'Exécution mutuellement convenues pour amender la Description du Programme en annexe, conformément à l'Article II du présent Accord.

Section 6.3. Rapports, Dossiers, Inspections, Vérifications de Compte

Le Bénéficiaire convient de:

(a) Fournir à l'USAID tels informations et rapports relatifs au présent Accord, satisfaisants à

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relating to this Agreement as USAID may reasonably request.

(b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books, records, and underlying documentation as necessary and adequate to assure, without limitation, compliance with this Agreement, including deposits into and disbursements from both the U.S. dollar Separate Account and the local currency Special Account. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and will be maintained for three (3) years after the date of the last disbursement by USAID. This requirement to maintain adequate books, records and underlying documentation applies to all Grant funds made available under this Agreement.

(c) Afford authorized representatives of USAID the opportunity at all reasonable times to inspect books, records, and other documentation relating to this Agreement, and the use of the Grant funds pursuant to this Agreement.

Section 6.4. Redeposit of Funds

(a) In the event USAID determines that any disbursement from the U.S. dollar Separate Account has been made for a use other than as authorized under the terms of this Agreement; is unsupported by valid documentation as required by USAID; or is in violation of United States law, the Grantee will redeposit into the Separate Account a sum in U.S. Dollars equal to the amount of such disbursement within thirty (30) days after receipt of a request therefor from USAID. This right of refund shall continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement of Grant funds under this Agreement.

l'USAID dans la forme et dans le fond, qu'elle pourrait raisonnablement requérir;

(b) Tenir ou assurer la tenue, conformément aux principes comptables généralement admis et aux pratiques en usage constant, des livres, des dossiers, et des documentations de base nécessaires et adéquats pour assurer, sans restriction, la conformité aux termes du présent Accord, y compris les dépôts et les décaissements des deux comptes séparé et spécial, en dollars et en monnaie locale. Lesdits livres et dossiers seront soumis régulièrement à des vérifications comptables, conformément aux normes de vérifications généralement admises, et seront conservés pendant trois (3) ans après la date du dernier décaissement effectué par l'USAID. Cette stipulation de conserver des livres, dossiers et des documentations de base s'applique à tous les fonds du Don rendus disponibles conformément au présent Accord;

(c) Fournir aux représentants autorisés de l'USAID l'opportunité d'inspecter dans une périodicité raisonnable les livres, dossiers et autres documents relatifs au présent Accord, et l'utilisation des fonds du Don conformément au présent Accord.

Section 6.4. Remise de Fonds

(a) Dans le cas où l'USAID détermine qu'un tirage de fonds du programme a été effectué du Compte Séparé en dollars pour une utilisation autre que celles autorisées aux termes du présent Accord; ou sans la documentation requise par l'USAID; ou en violation des lois des Etats-Unis d'Amérique, le Bénéficiaire redéposera audit Compte Séparé un montant en dollars américains égal au montant d'un tel tirage, et ceci dans les trente (30) jours qui suivent la réception d'une requête de l'USAID y afférentes. Ce droit d'exiger un remboursement demeurera en vigueur, nonobstant toute autre disposition du présent Accord, pendant trois (3) ans à partir de la date du dernier décaissement effectué dans le cadre du présent Accord.

(b) In the event that USAID determines that a disbursement from the local currency Special Account has been made for a use other than as authorized under the terms of this Agreement; is unsupported by valid documentation as required by USAID; or is in violation of United States law, the Grantee will redeposit into the Special Account a sum in local currency equivalent to the amount of such disbursement within thirty (30) days after receipt of a request therefor from USAID. This right of refund shall continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement of Grant funds under this Agreement.

Section 6.5. Communications

Any notice, request, document, or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

TO THE GRANTEE:

Ministry of Economy and Finance
Palais des Ministères
Port-au-Prince, Haiti

TO USAID:

U.S. Agency for International
Development Mission to Haiti
Ancien Hôtel Beau Rivage
Port-au-Prince, Haiti

All such communications will be in English or French. Other addresses may be substituted for the above upon written notice by the respective party.

Section 6.6. Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the position of

(b) Dans le cas où l'USAID détermine qu'un tirage de fond du programme a été effectué du Compte Spécial en monnaie locale pour une utilisation autre que celles autorisées aux termes du présent Accord; ou sans la documentation requise par l'USAID; ou en violation des lois des Etats-Unis d'Amérique, le Bénéficiaire redéposera audit Compte Spécial un montant en monnaie locale équivalent au montant d'un tel tirage, et ceci dans les trente (30) jours qui suivent la réception d'une requête de l'USAID à cet effet. Ce droit d'exiger un remboursement demeurera en vigueur, nonobstant toute autre disposition du présent Accord, pendant trois (3) ans à partir de la date du dernier décaissement effectué dans le cadre du présent Accord.

Section 6.5. Moyens d'Information

Tous avis, requêtes, documents ou autres instruments de communication présentés par une partie à l'autre dans le cadre du présent Accord seront transmis par lettres, télégrammes ou cables. Lesdits documents seront considérés comme étant dûment transmis ou expédiés lorsqu'ils seront livrés à la partie intéressée aux adresses suivantes:

AU GOUVERNEMENT D'HAÏTI:

Ministère de l'Economie et des
Finances
Palais des Ministères
Port-au-Prince, Haïti

A l'USAID:

Mission en Haïti de l'USAID
Ancien Hôtel Beau Rivage
Port-au-Prince, Haïti

Toute communication sera en anglais ou en français. D'autres adresses pourront être substituées à la place de celles sus-mentionnées par avis écrit de la partie concernée.

Section 6.6. Représentants

Pour toutes matières relevant du présent Accord, le Gouvernement d'Haïti sera représenté par la personne occupant le poste de

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the Minister of Economy and Finance, and USAID will be represented by the person holding or acting in the position of the Mission Director of the USAID Mission in Haiti, each of whom, by written notice to the other party, may designate additional representatives for any purposes other than revising this Agreement. The name(s) of the representative(s) of the Grantee, with specimen signature(s), will be provided to USAID, which may accept as duly authorized any instrument signed by such representative(s) in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 6.7. Language of the Agreement

This Agreement is prepared in both French and English. In the event of ambiguity or conflict between the two versions, the English language version will control.

ARTICLE VII: SUSPENSION, TERMINATION AND CANCELLATION

Section 7.1. Suspension

If, at any time, it should become necessary, USAID reserves the right to suspend disbursements of Grant funds from this Agreement by giving written notice to the Grantee. Causes for suspension are as follows:

(a) The Grantee fails to comply with any provision of this Agreement; or

(b) An event occurs that USAID determines to be an exceptional situation that makes it impossible for the purpose of the Grant to be attained, or for the Grantee to be able to perform its obligations under this Agreement; or

(c) Any disbursement by USAID would be in violation of the legislation governing USAID.

Ministre de l'Economie et des Finances du Gouvernement d'Haiti ou agissant en son nom, et l'USAID sera représentée par la personne occupant le poste de Directeur de la Mission en Haïti de l'USAID. Chacune d'elles peut par avis écrit désigner d'autres représentants pour toute question autre que la révision du présent Accord. Le nom du représentant ou des représentants du Bénéficiaire, accompagné des spécimens de signature authentifiés, sera fourni à l'USAID, qui pourra accepter comme étant dûment autorisé tout instrument signé par lesdits représentants pour la mise à exécution du présent Accord, jusqu'à réception de l'avis écrit de révocation de leur autorité.

Section 6.7. Langue Utilisée dans le Présent Accord

Le présent Accord est rédigé dans les deux langues, anglais et français. En cas de désaccord ou d'ambiguïté entre les deux versions, la version anglaise prévaudra.

ARTICLE VII: SUSPENSION, TERMINAISON, ET REVOCATION

Section 7.1. Suspension

Si cela s'avère nécessaire, l'USAID se réserve le droit de porter suspension au décaissement de fonds de Don au présent Accord par notification écrite au Bénéficiaire. Les causes de suspension comprennent les cas suivants:

(a) Le Bénéficiaire ne remplit pas les provisions de présent Accord; ou

(b) L'USAID détermine qu'un événement quelconque constitue une situation exceptionnelle qui rendrait impossible la réalisation des objectifs visés par le Programme, ou que le Bénéficiaire serait incapable de remplir les engagements stipulés au présent Accord; ou

(c) Une situation où tout décaissement effectué par l'USAID serait en violation à la législation qui régit l'USAID.

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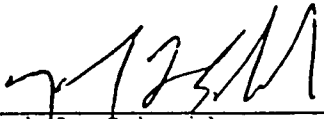
In the event of suspension, the parties agree to consult with each other in order to discuss the reasons therefor and to resolve any differences there may be between the parties. If, within sixty (60) days from the date of any suspension of disbursements, the cause or causes thereof have not been corrected, USAID may cancel any part of the Grant which has not been disbursed.

Section 7.2. Termination

If at any time a cause or causes under Section 7.1 occur and are not corrected within sixty (60) days of the date of the notice thereof, then USAID may, at its option, terminate this Agreement by giving the Grantee written notice. This Agreement may also be terminated by mutual agreement of the parties at any time. Upon any termination, the Grantee shall immediately refund to USAID all Grant funds with interest in the Separate Account and all local currency funds in the Special Account except as USAID may otherwise agree in writing.

IN WITNESS WHEREOF, the Government of the Republic of Haiti and the Government of the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date and year first above written.

GOVERNMENT OF THE
UNITED STATES OF AMERICA


Mark L. Schneider
Assistant Administrator for
Latin America and the
Caribbean
United States Agency for
International Development


Dans le cas de suspension, les parties conviennent de se consulter afin d'en discuter les raisons et de résoudre tout différend qui pourrait exister entre les deux parties. Si au terme de soixante (60) jours à partir de la date de suspension de décaissement, la cause ou les causes n'en ont pas été corrigées, l'USAID peut révoquer toute partie du Don qui n'aura pas été décaissée.

Section 7.2. Terminaison

S'il survient une ou plusieurs des causes évoquées à la Section 7.1 et qu'elles ne sont pas corrigées dans les soixante (60) jours à partir de la date de leur notification, l'USAID peut, à sa discrétion, mettre fin au présent Accord par notification écrite au Bénéficiaire. Le présent Accord peut aussi être annulé à tout moment par consentement mutuel par les parties. Lorsqu'une terminaison prend lieu, le Bénéficiaire devra immédiatement rembourser à l'USAID tous les fonds du Don, y compris les intérêts générés par ces fonds se trouvant au Compte Séparé et tous les fonds en monnaie locale dans le Compte Spécial, à moins que l'USAID n'en convienne autrement par écrit.

EN FOI DE QUOI, le Gouvernement de la République d'Haiti et le Gouvernement des Etats-Unis d'Amérique, agissant par l'intermédiaire de leurs représentants dûment autorisés, ont fait signer le présent Accord en leur nom et l'ont fait remettre à la date de l'année ci-dessous mentionnée.

GOVERNEMENT DE LA REPUBLIQUE
D'HAITI


Jean-Bertrand Aristide
Président de la République

ANNEX - Emergency Balance of
Payments Support Program

PROGRAM DESCRIPTION

A. PURPOSE OF THE PROGRAM

The purpose of the Emergency Balance of Payments Support Program is threefold: a) to bolster Haiti's international reserve position; b) to assist Haiti in the implementation of an economic reform program aimed at economic recovery; and c) to help restore the financial balance of Haiti's public sector.

B. BACKGROUND

Haiti's public sector finances are in a precarious condition due to the events of the past three years. Tax revenues have declined, leaving a large public sector deficit. Haiti's democratic leadership is committed to restoring fiscal balance to the public sector, and to ending the inflationary pressures that have eroded standards of living for Haiti's most vulnerable groups.

Measures to improve Haiti's fiscal balance will take time to implement. In the near term, external balance of payments support is needed to cover the fiscal gap. The Government of Haiti ("GOH") is seeking additional balance of payments support from the international financial institutions, and is preparing an economic recovery strategy aimed at promoting private investment and labor-intensive, export-led growth; at reducing poverty and improving living conditions; and at enhancing the efficiency of public administration.

ANNEXE - Programme d'Urgence d'Appui
à la Balance des Paiements

DESCRIPTION DU PROGRAMME

A. OBJECTIFS DU PROGRAMME

Le Programme d'Urgence d'Appui à la Balance des Paiements comporte trois objectifs: a) renforcer la position de réserve internationale d'Haiti; b) aider Haïti dans l'exécution d'un programme visant la relance de son économie; et c) contribuer à restaurer l'équilibre financier du secteur public d'Haiti.

B. HISTORIQUE

Les finances publiques d'Haiti ont atteint une situation précaire due aux événements des trois dernières années. Les recettes fiscales ont chuté, créant un vaste déficit du secteur public. Les dirigeants légitimes d'Haiti ont pris l'engagement de rétablir l'équilibre fiscal du secteur public et de mettre un terme aux pressions inflationnistes qui ont érodé le niveau de vie des groupes les plus vulnérables d'Haiti.

Il faudra du temps pour exécuter les mesures propres à améliorer l'équilibre fiscal d'Haiti. Dans le court terme, un appui externe à la balance des paiements est nécessaire pour combler le gouffre fiscal. Le Gouvernement d'Haiti (GH) a sollicité des institutions financières internationales un appui additionnel à la balance des paiements et s'est engagé dans la formulation d'une stratégie de redressement économique visant à promouvoir l'investissement privé et une croissance axée sur la main d'oeuvre intensive et tournée vers l'exportation; à réduire la pauvreté et améliorer les conditions d'existence; et à renforcer l'efficacité de l'administration publique.

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C. PROGRAM ELEMENTS

(1) USAID U.S. Dollar Assistance and the Separate Account

(a) Disbursements

USAID will disburse the Grant into Haiti's Separate Account when its associated conditions precedent (outlined in Article III, Section 3.1 of the Agreement) have been met.

(b) Eligible Uses of U.S. Dollar Assistance

Eligible uses for the U.S. dollar grant funds deposited in the Separate Account are the following:

(i) The importation of petroleum; and

(ii) The payment of regularly scheduled payments of principal and interest to the International Monetary Fund, the World Bank and the Inter-American Development Bank, once Haiti's payments in arrears have been cleared by the Haiti Support Group.

(c) Withdrawals from the Separate Account

Withdrawals from the Separate Account will be made only for direct payment of expenditures relating to the categories of eligible uses. The GOH will advise USAID in writing in advance of anticipated monthly financing requirements for petroleum imports and/or eligible debt service payments and will present associated documentation. The USAID Mission in Haiti will review the estimates, and will approve the amount of the monthly withdrawal from the Separate Account in writing. Upon receipt of USAID approval, the GOH may proceed to withdraw funds to directly make the approved payments.

(d) Reports

The Ministry of Economy and Finance will report monthly on disbursements from the Separate

C. ELEMENTS DU PROGRAMME

(1) L'Assistance en Dollars Américains de l'USAID et le Compte Séparé

(a) Décaissements

L'USAID décaissera le Don sous forme d'un dépôt au Compte Séparé d'Haiti quand les conditions préalables y afférentes (décrites à l'Article III, Section 3.1 du présent Accord) auront été remplies.

(b) Utilisations Eligibles à l'Assistance en Dollars Américains

Sont éligibles aux fonds en dollars américains du Don déposés au Compte Séparé, les utilisations suivantes:

(i) L'importation de produits pétroliers;

(ii) Le paiement d'échéances régulières dues, en principal et en intérêts, au Fonds Monétaire International, à la Banque Mondiale et à la Banque Inter-Américaine de Développement, dès que les arriérés de paiement d'Haiti auront été liquidés par le Groupe d'Appui d'Haiti.

(c) Tirages du Compte Séparé

Il ne sera effectué de tirages du Compte Séparé que pour le paiement de dépenses liées aux catégories d'utilisations éligibles. Le GH fournira à l'USAID, à l'avance et par écrit, une projection des besoins financiers requis par les importations de produits pétroliers et/ou par le service de la dette, soutenue par une documentation circonstanciée. Suite à une analyse des niveaux projetés, la Mission en Haïti de l'USAID approuvera par écrit le montant mensuel de tirage à effectuer du Compte Séparé. Dès réception de la concurrence de l'USAID, le GH pourra effectuer le tirage pour accomplir directement les paiements approuvés.

(d) Rapports

Le Ministère de l'Economie et des Finances fournira des rapports mensuels sur les décaissements du

Account, and will provide documentation showing the dates on which disbursements and withdrawals were made, interest accruing to the account, and the account balance.

(e) Audits

In accordance with Section 6.3 of the Grant Agreement, USAID will audit the withdrawals from the Separate Account to ensure that such withdrawals were made for the approved amounts and that such amounts were transferred by the GOH directly as payments relating to the eligible uses noted in this Annex.

(2) Local Currency Deposits and Programming

(a) Local Currency Deposits

For each monthly withdrawal of dollar funds from the GOH Separate Account, a corresponding local currency deposit will be required. The amount of the local currency deposit will be determined as follows:

When U.S. dollar Grant assistance is used for petroleum purchases, local currency is generated and will be deposited into the GOH Special Account established under Section 3.2(b) of the Agreement. When U.S. dollar Grant assistance is used for debt service payments to the international financial institutions, no local currency is generated. The exchange rate applied to calculate the amount of the local currency deposit will be that rate which, on the date of withdrawal of dollar Grant funds from the Separate Account, is the highest rate not unlawful in Haiti.

The GOH will deposit local currency associated with this Agreement into the Special Account within five (5) working days of the date of each withdrawal of Grant dollar funds from the Separate Account.

Compte Séparé, ainsi qu'une documentation qui indique les dates auxquelles les décaissements et tirages ont été effectués, les intérêts générés par le compte et la balance du compte.

(e) Vérifications Financières

Conformément à la Section 6.3 de l'Accord de Don, l'USAID entreprendra la vérification financière des tirages du Compte Séparé pour établir que lesdits tirages ont été effectués pour les montants approuvés et que lesdits montants ont été transférés par le GH comme paiements directs liés aux utilisations mentionnées à la présente Annexe.

(2) Dépôt et Programmation des Fonds en Monnaie Locale

(a) Dépôt de Fonds en Monnaie Locale

Un dépôt en monnaie locale est requis pour chacun des tirages effectués du Compte Séparé du GH. Le montant du dépôt en monnaie locale sera déterminé de la manière suivante:

Quand l'assistance en dollars américains du Don est utilisée pour des achats de produits pétroliers, des fonds en monnaie locale sont générés et seront déposés au Compte Spécial du GH établi comme indique à la Section 3.2(b) de l'Accord. Quand l'assistance en dollars américains est utilisée pour des paiements requis par le service de la dette aux institutions financières internationales, aucune monnaie locale n'est générée. Le taux de change applicable au calcul du montant du dépôt en monnaie locale sera le taux qui, à la date de tirage des fonds en dollars du Don du Compte Séparé, sera le plus élevé qui ne serait pas illégal en Haïti.

Le GH déposera les fonds en monnaie locale relevant du présent Accord dans le Compte Spécial dans les cinq (5) jours ouvrables à partir de la date du tirage de fonds dollars du Compte Séparé.

(b) Eligible Uses of Local Currency

Local currency funds deposited into the Special Account will be jointly programmed by USAID/Haiti and the GOH for the following categories of eligible uses:

(i) General budget support to the GOH central government budget;

(ii) Retirement of GOH central government debt to the Central Bank; and

(iii) For administrative, financial management and audit costs associated with this program.

(c) Prohibited Uses of Local Currency

Funds in the Special Account may not be used for financing military or paramilitary requirements of any kind, including the procurement of commodities or services for such purposes or the servicing of debt that originally financed such requirements, and may not be used for pesticides, surveillance equipment, abortion equipment, or weather modification equipment. None of the funds in the Special Account shall be used for any activity that will result in any loss of the tropical forest.

(d) Withdrawals from the Special Account

Withdrawals from the Special Account will be made on a monthly basis according to GOH projections of the financing needs of priority central government expenditures. The GOH will present such projections in writing to USAID/Haiti, showing the projected expenditures to be financed with funds from the Separate Account by sector or Ministry. USAID/Haiti will provide guidance to the GOH regarding the format for budgetary projections to be presented.

(b) Utilisations Eligibles des Fonds en Monnaie Locale

Les fonds en monnaie locale déposés au Compte Spécial seront programmés conjointement par l'USAID/Haïti et le GH pour les catégories suivantes d'utilisations éligibles:

(i) Appui budgétaire général au Budget du Gouvernement central d'Haiti;

(ii) Liquidation de la dette du gouvernement central envers la Banque Centrale; et

(iii) Les coûts administratifs, de gestion financière et de vérification financière associés au présent programme.

(c) Utilisations Interdites des Fonds en Monnaie Locale

Les fonds du Compte Spécial ne peuvent être utilisés pour le financement de besoins militaires ou para-militaires d'aucune sorte, y compris l'acquisition de biens ou services à cet effet ou le service de dettes originellement contractées pour satisfaire de tels besoins, et ne peuvent non plus servir à l'acquisition des pesticides ou d'équipements destinés à la surveillance, l'avortement ou l'interférence atmosphérique. Aucun des fonds du Compte Spécial ne doit servir à des activités qui pourraient conduire à une perte de forêts tropicales.

(d) Tirages du Compte Spécial

Les tirages du Compte Spécial seront effectués sur une base mensuelle selon les projections de besoins financiers pour les dépenses prioritaires du gouvernement central. Le GH présentera lesdites projections par écrit à l'USAID/Haïti, indiquant les projections de dépenses requérant le financement des fonds du Compte Séparé par secteur ou par Ministère. L'USAID/Haïti fournira au GH les directives requises sur le format des projections budgétaires à présenter.

USAID/Haiti will review the GOH projections and approve monthly withdrawals from the Special Account in writing.

(e) Financial Management of the Special Account

To assist the GOH in ensuring that sound financial management and controls are being applied to the resources provided under this Agreement, the parties will collaborate in arranging for an independent concurrent financial review of disbursements out of the Special Account to activities and expenditures financed. These review activities will be carried out on an ongoing basis by a private sector accounting firm contracted by the GOH so that if problems are found the Minister of Economy and Finance can take appropriate corrective action including suspension of payments until problems are corrected. The financial review will focus on verifying that financial management and control functions are being carried out in a responsible and thorough way. The financial review and inspections will supplement the normal audit function executed by the GOH. USAID will approve the terms of reference of the contract.

(f) Reports

For local currency deposits and expenditures, the Ministry of Economy and Finance will report monthly on amounts deposited into the Special Account, amounts disbursed from the Special Account, and documentation showing that amounts withdrawn from the Special Account were used for priority expenditures of the central government.

(g) Audits

In accord with Section 5.3 of the Grant Agreement, USAID will audit deposits into and withdrawals from the Special Account to ensure that such transactions were made according to the approved amounts and that such amounts were

L'USAID/Haïti analysera les projections du GH et approuvera par écrit les tirages mensuels du Compte Spécial.

(e) Gestion Financière du Compte Spécial

Pour aider le GH à assurer qu'une gestion financière et des contrôles adéquats soient appliqués aux ressources fournies au titre du présent Accord, les parties collaboreront à la mise en place d'une revue financière indépendante mutuellement agréée des décaissements du Compte Spécial aux activités et dépenses financées. Ces activités de revue seront accomplies sur une base continue par une firme-comptable privée engagée par le GH de telle sorte que, si des problèmes sont identifiés, le Ministre de l'Economie et des Finances puisse prendre les actions correctives appropriées, y compris la cessation de paiements, jusqu'au redressement desdits problèmes. La revue financière visera à vérifier que les fonctions de contrôle et de gestion financière s'accomplissent de façon responsable et minutieuse. La revue financière et les inspections s'ajouteront à la fonction normale de vérification exercée par le GH. Les termes de référence du contrat devront recevoir l'approbation de l'USAID.

(f) Rapports

S'agissant des dépôts en monnaie locale et des dépenses, le Ministère de l'Economie et des Finances émettra des rapports mensuels sur les montants déposés au Compte Spécial, les montants tirés du Compte Spécial, et une documentation indiquant que les montants tirés du Compte Spécial ont été utilisés pour des dépenses prioritaires du gouvernement central.

(g) Vérifications Financières

Conformément à la Section 5.3 de l'Accord de Don, l'USAID entreprendra la vérification financière des dépôts au Compte Spécial et des tirages de celui-ci, pour établir que lesdites transactions ont été accomplies sur

transferred as payments for priority expenditures of Haiti's central government.

(3) Evaluation

USAID plans to evaluate the Emergency Balance of Payments Support Program shortly after the end of Haiti's FY 1995 fiscal year to look at the impact of the assistance in meeting program objectives. USAID (subject to availability of funds to USAID for this purpose) will finance the costs of the contract for an evaluation with funds allocated to Haiti but not provided under this Grant Agreement. USAID will contract directly for the evaluation work and will notify the GOH at the appropriate time of the approximate timing of the evaluation.

base des montants approuvés, et que lesdits montants ont été transférés comme paiements pour des dépenses prioritaires du gouvernement central d'Haiti.

(3) Evaluation

L'USAID se propose d'évaluer le Programme d'Urgence d'Appui à la Balance des Paiements peu après l'expiration de l'année fiscale 1995, pour déterminer l'impact de l'assistance par rapport à la réalisation des objectifs du programme. L'USAID (sujet à la disponibilité de fonds de l'USAID à cet effet) financera les coûts du contrat pour une évaluation à partir des fonds alloués à Haïti, mais non pas des fonds relevant du présent Accord de Don. L'USAID passera directement le contrat de l'évaluation et notifiera le GH au moment opportun du calendrier approximatif de l'évaluation.